



Are Traders Good or Bad? The Role of Intermediaries in the Supply Chain of Falcata in the Davao Region, Philippines

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Abstract

The wood industry in the Davao Region is characterized by lack of market information and dominance of market intermediaries. Stakeholders of the industry carry the conventional wisdom that traders are exploitative and should be eliminated in the chain. In this paper, we examined this notion by mapping the supply chain of falcata in the Davao Region and analyzing the role of traders along the chain. A Structure-Conduct-Performance approach to supply chain analysis was used to determine how market structure determines the behavior of traders in the supply chain, which ultimately determines the various aspect of chain performance. We found that there are a few number of traders along the falcata supply chain, and they have high market concentration on specific production areas. Tree growers perceive that traders possess some degree of buying power over them due to their inability to market falcata logs directly to wood processing plants. However, the profitability analysis reveals that marketing falcata logs entails huge cost in processing the permit to cut and transport, harvesting and hauling, transportation, and payment for SOPs. Traders significantly contribute to the value addition in the falcata supply chain by performing the main function of distribution. However, traders are misunderstood by other chain actors because they are not fully aware of the marketing costs entailed in performing the distribution function and the risks that traders carry along with it. As such, supply chain development interventions should recognize the key role of traders in facilitating the value-creation process within the chain.